FACILITIES MILEAGE REIMBURSEMENT AUDIT
School Year 2008-09

JOB CODE: 2009-202

REPORT DATE: August 2, 2010
BACKGROUND

Physical Plant Operations & Constructions, formerly known as Facilities Management and Auxiliary Services (hereafter referred to as Facilities Services), is responsible for providing a clean, safe, healthy and well maintained environment conducive to learning. This includes physical maintenance, custodial services, building repairs, landscaping, and oversight of special renovation and construction projects for all Detroit Public School (DPS) buildings.

Facilities Services has a staff of 3,000 within the division’s nine departments. The Interim Chief Operating Officer (COO) has been in the position since September 2009. The position was created based on a recommendation from the Council of the Great City Schools.

The department also has an Executive Director of Physical Plant Operations and Construction with responsibilities related to construction, capital improvement programs and real estate. The other Executive Director is responsible for Auxiliary Services including: (1) Community Use of Schools; (2) Environmental Health & Safety; (3) Printing, Mail & Logistics; and (4) Central Distribution Center. In September 2007, the Auxiliary Services Executive Director became responsible for monitoring and authorizing mileage expenses exceeding the monthly 700 mile maximum. Based on concerns raised by the Executive Director of Auxiliary Services regarding excessive costs associated with mileage, a request was made to perform an audit of Facilities Services mileage expenses.

DPS employees are reimbursed for mileage expenses when their personal vehicle is used for District business-related travel. The applicable IRS mileage rate is used to calculate the total amount of the reimbursement.

Mileage reimbursements are governed by three key elements which are discussed in order of hierarchy: (1) Federal Law i.e., Internal Revenue Service (IRS), which provides the business mileage rate per mile; (2) Various collective bargaining agreements; and (3) District policy as detailed in the “School Administrative Financial Manual 2006-2007” (SAFM) and Payroll memorandums.

The following areas were included in the mileage reimbursement audit with the respective positions responsible for the area:

- **Facilities Services** – Director (Aramark contractor position)
- **Site Management** – Program Supervisor
- **Food Services** – Interim Executive Director of Food Services
- **Environmental Health & Safety** – Interim Executive Director
AUDIT OBJECTIVES

The objectives of the audit were to ensure that:

(1) Mileage reimbursement requests were valid, accurate, submitted timely, and complete.

(2) Mileage requests exceeding 700 miles per month were properly authorized prior to payment.

SCOPE & METHODOLOGY

SCOPE:
The scope of the audit was to review mileage reports submitted for payroll processing during fiscal years 2008 and 2009. While emphasis was placed on: (1) Facilities; (2) Building Repair Unit and (3) Site Management, interviews were conducted with key personnel from various areas within Facilities Management and Auxiliary Services.

Departmental organizational charts, job descriptions and supplemental documentation were also reviewed to gain an understanding of departmental functions and mileage reimbursement processes.

SAMPLE SELECTION:
The sample methodology consisted of selecting a judgmental sample of 25 reimbursement payments (representing 56 individual mileage forms) based on job titles and dollar amounts.

TESTING METHODOLOGY:
Attribute testing for the 25 reimbursements (representing 56 mileage forms) was performed verifying reimbursement reports were:

- **Completed** properly (i.e., the form stated the destination, starting/ending odometer readings, requestor and approval signatures, etc.)
- **Accurate** based on mileage commute and applicable mileage rates
- **Submitted** for processing in a **timely** manner (i.e., **monthly**)
- **Properly** authorized prior to exceeding the 700 mile cap. For those exceeding the cap, auditors verified Executive Management authorized the request prior to submission to Payroll for processing.
Greater Budget Oversight Needed to Monitor Mileage Expenses

Our audit disclosed an overall lack of management oversight, which resulted in the payment of invalid and/or inaccurate mileage expenses. Effective management oversight is critical given the autonomy that certain staff have as a result of their job functions. For those positions where job tasks are self-directed and are not initiated by a specific work order or scheduled assignment, active management oversight is essential. For the Facilities areas reviewed, the district has incurred $512,648 in mileage expenses for Fiscal Years 2008 and 2009. While the overall budgets for Fiscal years 2008 and 2009 were reduced, actual mileage expenses exceeded the budgets by 50% and 13%, respectively. The lack of on-going monitoring by management has resulted in the payment of mileage expenses that were potentially overstated and should not have been paid. The lack of on-going monitoring by management has hindered management’s ability to ensure fiscal budgetary and accounting compliance and to make decisions based on timely and accurate financial information.

Lack of Oversight Raises Concerns About Validity & Accuracy of Claims

The supervisory management reviews either did not occur or were ineffective in determining whether travel was valid, reasonable and/or accurate. For example, in February 2008 it was noted that one individual traveled to a school, which according to Facilities documentation was closed in 2006. The individual traveled to the school 21 out of 24 days and on 15 of those days, there were multiple trips to the closed school. During August 2008, it was noted that the same individual visited certain schools on a daily basis throughout the entire month and virtually each day was ended at one particular school. Lastly, audit testing disclosed the individual’s mileage was overstated by more than twice the amount of miles verified using MapQuest (i.e., online travel service). The lack of effective management oversight has resulted in the payment of mileage expenses, which represent potential improprieties and therefore should not have been paid.

Untimely Submissions

We tested 25 mileage reimbursement claims (representing 56 mileage forms), and found a consistent pattern of untimely submissions of mileage claim forms. Specifically, 27 of 56 or 48 percent of the forms reviewed were not submitted to a Facilities Supervisor for authorization by the 15th of each month while 39 of 56 or 70 percent of the forms were not submitted to Payroll timely, resulting in a third of the items being processed in the subsequent fiscal year. As an example, one individual incurred mileage expense during the months of January and February 2008, however the reimbursement forms were not submitted to the supervisor for authorization until mid November 2008 and mid December 2008, respectively. The supervisor authorized both mileage forms on December 15, 2008, while Facilities executive management signed off authorizing the excess mileage (i.e., over 700 miles) on December 29, 2008.

As a result, this and other noted instances resulted in requests being submitted well after fiscal year-end. This practice of accumulating and submitting multiple monthly mileage reports for processing hinders management’s ability to accurately forecast expenses and make optimum decisions based on accurate and timely data. In addition, it also results in non-compliance with Generally Accepted Accounting Principles (GAAP), which requires expenses to be recognized in the proper accounting period, i.e., as they are incurred.
**Excess Mileage Not Always Approved**

We noted non-compliance with District policy and various collective bargaining agreements, regarding prior management approval for exceeding 700 miles per month. We also noted non-compliance with District policy requiring approval by Facilities executive management. From the original 56 mileage forms tested, there were 12 requests with mileage exceeding 700 monthly miles, i.e. 12 of 56 or 21 percent. None of the 12 requests tested were pre-approved by the applicable supervisor to exceed the 700 mile limit. In each of the 12 cases, the supervisor’s signature was dated after the mileage limit had been exceeded. We also found 1 of the 12 mileage claim forms was not signed by executive management.

The purpose of having supervisors pre-approve excess mileage is to ensure that management is aware that this is occurring and to obtain management’s approval. In addition, having executive management sign off serves as a control and ensures that excessive expenditures are bought to the attention of top management. However, when these excess expenditures are approved after the expense is incurred management is not in a position to question or disallow the expense prior to it being incurred. Failure on the part of an employee to have such expenses pre-approved should be grounds to deny the reimbursement. Without any penalty for not complying with District policy requiring pre-approval of mileage in excess of 700 miles per month, the practice will likely continue.

**Improper Authorization of Mileage Requests**

During our test to verify proper authorization of mileage forms we noted, 4 of 56 or 7 percent of the reimbursement requests tested were not properly signed-off by the appropriate supervisor i.e., the mileage request forms were authorized via a signature stamp. The use of a signature stamp does not provide assurance that an approval was granted by authorized personnel.

**Lack of Documentation Limits Oversight**

We noted non-compliance with District policy requiring adequate documentation be maintained to determine mileage reimbursement requests are valid and support the specific purpose of travel. For each of the 56 mileage forms tested, or 100 percent of the forms reviewed (i.e., 25 payments representing 56 request forms), adequate supporting documentation could not be located. This included work orders, sign-in sheets or any other documentation explaining why the employee was required to report to a particular location. Also, in 23 of 25 or 92 percent of the mileage reimbursements tested there was no documentation of miles traveled using an online travel service, nor was odometer information provided to support miles traveled, which is a requirement of District policy. Without adequate documentation, management cannot effectively provide oversight of mileage expenses potentially resulting in significant overpayment of mileage reimbursements.
Inaccurate Mileage Reporting

We noted non-compliance with District policies and procedures requiring management to review mileage reimbursements for reasonableness and accuracy. A detailed test of 52 line-items was performed to determine accuracy (i.e., total miles noted on mileage forms were within 5 miles of actual mileage, as stated on MapQuest). The test results indicated 35 of 52 or 67 percent of line-items tested were inaccurate, which represented 29 overstated items and 6 understated items.

Tests were also performed to verify the mathematical accuracy of total miles submitted for reimbursements i.e., total monthly miles noted on the forms were recalculated. The test results indicated 1 of 56 or 2 percent of the mileage form reviewed had incorrect mileage totals. Non-compliance with policies and procedures resulted in overpayment of mileage reimbursements.

Mileage Claim Forms Did Not Capture Complete Data

Our audit also noted that the mileage claim form was not designed to capture key mileage data. Specifically, the form did not capture the point of origin which is necessary to verify mileage claimed, nor was there mention of the monthly 700 mile limit and the need for authorization prior to exceeding the limit. Moreover, there was no odometer data required. Insufficient data noted on the current mileage form has negatively impacted the ability to support the accuracy, validity, and proper authorization of mileage expenses. This in turn has contributed to a practice of reimbursing expenses, which may not have been valid.

We spoke to the executive director of Facilities who was aware of this issue and had already made recommendations to have the form re-designed to capture pertinent information.

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**OBSERVATIONS**

While the audit focused on controls over mileage reimbursements, several observations outside of the audit scope were noted:

- Ineffective and inconsistent use of the work order system (MAXIMO)
- Ineffective controls over fleet vehicles (*repairs, utilization, etc.*)
- Critical compliance position eliminated within Environmental, Health and Safety, which is a highly regulated function
- Potential overlap in job positions i.e., Zone Building Supervisor and Custodian Supervisor
- Segregation of duties issue based on the Truck Driver and Truck Driver/ Warehouse Helper job descriptions (*responsible for procurement, inventory, distribution and transportation*)
CONCLUSIONS

Our audit disclosed an overall lack of management oversight, which resulted in the overpayment of valid mileage expenses as well as payment of improper mileage requests. In order to meet their stated mission to oversee custodial services which provide a safe and clean school environment, Facilities must operate in a cost effective and efficient manner. There must be a sense of fiscal responsibility which can be demonstrated through detailed budget analysis, monitoring, and timely response to budget variances.

While mileage expense is necessary, it requires close monitoring by management in order to avoid misuse and abuse. The lack of effective oversight resulted in payment of mileage where impropriety was clearly evident. Problems are exacerbated when management does not require timely submission of requests and there are no penalties for untimely submissions. Management must enforce adherence to existing policies and perform timely reviews to determine appropriateness and reasonableness, prior to approving the payment of mileage requests including mileage exceeding the 700 month per mile limit. Timely reviews provide management with the opportunity to determine whether mileage is necessary or whether it is indicative of reimbursement abuse.

In addition, there must be adherence to district polices related to approval of mileage exceeding the 700 miles per month limit. Also, the lack of adequate documentation as well as inaccurate documentation impedes management’s ability to determine whether travel is valid and necessary. The inability to analyze travel via trends and patterns, limits the opportunities to maximize efficiencies and realize potential cost savings.

While the objective of this audit was to review controls over mileage reimbursements, we were able to observe additional concerns, which were not mileage related but are significant to the Division. The ineffective and inconsistent use of MAXIMO, a workload management tool, as well as the Call Center appeared to have contributed to the lack of documentation to support the need for travel throughout the Division.

In addition, the decentralized fleet operations has resulted in the inability to ensure proper accounting of all vehicles, proper insurance of vehicles along with proper service and maintenance of vehicles. Ineffective controls and lack of available fleet vehicles has a direct impact on mileage reimbursements since individuals are required to utilize their personal vehicles as opposed to District vehicles.

Lastly, ineffective controls over the organizational structure of the area as well as budget limitations resulted in the elimination of a compliance position within Environmental, Health and Safety. This is critical, given that this is a position within a highly regulated environment. The impact of non-compliance with federal regulations can be significant resulting in tangible and intangible costs, such as fines and/or penalties to the District as an entity, to individuals on a personal level, and costs to the District’s reputation, which is currently in a fragile state.
RECOMMENDATIONS

To ensure adequate controls are in place over the mileage reimbursement process within Facilities, management should:

- Review all policies and procedures to clarify requirements for submitting mileage requests to both Facilities Management and Payroll.

- Communicate the requirements to employees.

- Management should ensure compliance with district policies by:
  - Reviewing mileage claims for reasonableness and accuracy prior to approval
  - Retaining adequate documentation to support miles traveled
  - Maintaining appropriate approval and documentation of authorization to exceed the monthly mileage threshold

- Revise the mileage form to capture complete information and to ensure compliance with IRS regulations and district policy. That is, include sections addressing:
  - Points of origin
  - Business miles vs. personal miles
  - The 700 miles per month cap and corresponding authorization of miles in excess of cap (include date of authorization, evidencing approval prior to reaching the 700 mile threshold)
  - Calculation of mileage amount based on IRS standard mileage rate or applicable mileage rate

- Management should consider reviewing the functionality within the existing work management tool i.e., MAXIMO to determine how to effectively use the system capabilities to track and monitor work performed within Facilities.

- Senior management should consider re-visiting the Division’s strategic objectives and goals to determine whether fleet operations should continue to be a part of the strategic objective and if so whether the operations should be centralized or decentralized. Consideration should be given to ensure that operable DPS vehicles are utilized so as to minimize the use of personal vehicles and the need for mileage reimbursements.

- Senior management should consider reviewing all job roles and responsibilities to ensure they are properly aligned with the strategic objectives and goals of the Division, adequately address risks related to regulatory compliance and adequate separation of duties.
MANAGEMENT RESPONSE

An audit response was not available at the time of the report issuance; however, it may be added at a later date.
Our review was performed in accordance with U.S. General Accounting Office Government Auditing Standards and Standards of the Institute of Internal Auditors.

This report is intended solely for management and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which is a matter of public record.

Odell W. Bailey, CIA
Auditor General
Table 1.1: **Budget to Actual Data (Per PeopleSoft):**

While the Facilities Services actual mileage expenses decreased 30% in fiscal year (FY) 2009, a budget to actual variance existed for both FY’s 2008 and 2009 that is, 50% and 13%, respectively.
Table 1.2: Actual Mileage Expense by Location (Per PeopleSoft):

The Facilities Services financial budget is managed within nine budget departments, as detailed below. Given the nature of the Building Repairs function, it historically incurs the most mileage expenses while the Central and West Hubs follow, respectively in dollar amounts.

<table>
<thead>
<tr>
<th>Location</th>
<th>FY 2007 - 2008</th>
<th>FY 2008 - 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Hub - 000001</td>
<td>$67,981</td>
<td>$37,869</td>
</tr>
<tr>
<td>Central Hub - 000002</td>
<td>$69,353</td>
<td>$40,390</td>
</tr>
<tr>
<td>East Hub - 000003</td>
<td>$50,987</td>
<td>$14,805</td>
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<tr>
<td>District Bldg Repair - 000004</td>
<td>$118,740</td>
<td>$67,643</td>
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<tr>
<td>Facilities Maint &amp; Aux Svc - 980300</td>
<td>$903</td>
<td>$1,079</td>
</tr>
<tr>
<td>Site Mgmt - 980900</td>
<td>$17,709</td>
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<td>Environmental Hlth &amp; Sfty - 987400</td>
<td>$9,748</td>
<td>$5,672</td>
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<td>Food Services - 966800 &amp; 966818</td>
<td>$42,217</td>
<td>$28,280</td>
</tr>
<tr>
<td>Transportation - 971100</td>
<td>$352</td>
<td>$0</td>
</tr>
</tbody>
</table>